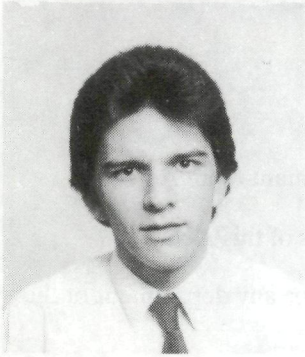

THE TAXPAYER



Taxpayers Call For Freedom of Information

At a recent Regina news conference, the Association of Saskatchewan Taxpayers called on the province to implement the Saskatchewan Freedom of Information Act. Here is the entire text of statements made by Communications Director Dan Kwochka at that news conference. The proposed Act is reprinted on page 2.

The Association of Saskatchewan Taxpayers has drafted the Saskatchewan Freedom of Information Act. The Act, which you hold in your hand (now on page 2) is not only for discussion, but is in our opinion a good start at a workable piece of legislation. It combines proposals from the past made to the Saskatchewan government, as well as parts of legislation enacted in Manitoba and Ontario. You'll also want to note that the majority of provinces have similar legislation. We believe, that in the interest of Saskatchewan taxpayers, it would function well here also and for this reason, we are calling on the government to take this positive step for the province.

Many people perceive that governments operate on a level above and inaccessible to the vast majority of its citizens. The tendency towards secrecy of government is an enforcer of this per-

ception, because in the vast majority of cases, there is no legitimate reason to deny access to information. Some arguments favouring secrecy have merit but are rarely compelling enough to overshadow the public's right to know, and where the reasons for secrecy are compelling and legitimate, they can be protected in the legislation. Access to information and government accountability is not only badly needed in Saskatchewan, it is deserved, it is justified, and it is entirely consistent with the openness and fairness of democracy itself.

Surely every person has a right to know what information the government has gathered about him or her. The opportunity to examine, and, if error is found, to correct information is fundamental to a free society.

The right to obtain information concerning government departments, agencies, cor-

porations, etc. is equally fundamental. Surely just by the simple virtue of being a taxpayer, one is entitled to know how his or her money is being spent. People need information to adequately evaluate a government's performance, in order to make an informed and responsible electoral choice. The unreasonable guarding of basic information which we see now shows a certain contempt for the public by excluding those whom the government presumably serves.

For this reason, on behalf of Saskatchewan taxpayers and all Saskatchewan citizens, we urge the government to make good on their recent declaration of wanting to listen to Saskatchewan people, and to end the secrecy which surrounds so many government agencies and departments, by quickly enacting the Saskatchewan Freedom of Information Act.

SASKATCHEWAN FREEDOM OF INFORMATION ACT

(as proposed by the Association to the Government of Saskatchewan)

1) In this Act:

- a) "department" means:
 - i) any department of the government of Saskatchewan; or
 - ii) any agency, board, commission, crown corporation/or other body established by or pursuant to an Act.
- b) "access officer" means an official designated in each department to fulfill the obligations of this Act.

2) Every Canadian citizen is entitled to request and receive information relating to oneself or any department of the Saskatchewan government, except:

- a) personal information relating to a person other than oneself.
- b) information which unreasonably endangers the life, safety, or health of a person.
- c) information received in confidence from another government.
- d) information which would unreasonably interfere with law enforcement.
- e) information which would deprive a person of a fair trial.
- f) information involving cabinet confidences.
- g) information involving draft legislation or regulations.
- h) information involving trade secrets, scientific, or technical information that has monetary value or potential monetary value.
- i) information subject to solicitor/client privilege.
- j) information required to be kept confidential by any Act or law of Saskatchewan or Canada.

3) The Ombudsman shall cause to be published, at least once each year, a list of all departments indicating in respect of each department:

- a) a description of the general category of information prepared by or under the control of the department; and
- b) the name and address of the access officer for each department.
- c) the regulations stipulating the procedure for the application and receiving of information.

4) Any Canadian citizen may receive information to which they are entitled pursuant to this Act by submitting a written request to the access officer of the appropriate department in the manner and containing the specific details set out in the regulations.

5) For the purposes of carrying out this Act according to its intent, the Ombudsman may make regulations prescribing any matter or thing that is required or authorized by this Act to be prescribed in the regulations.

6) Information that is not provided to the person requesting it within 21 calendar days of the day on which the request was made, is deemed to have been denied.

7) Any person whose request for information is denied may appeal to the Ombudsman. The Ombudsman will then investigate the complaint and render a non-binding recommendation within 15 calendar days.

8) If the recommendation of the Ombudsman favours the complainant and the information is still not provided within 10 calendar days of the recommendation, the complainant may appeal to a judge of Her Majesty's Court of Queen's Bench for Saskatchewan seeking an order requiring the production of the information in accordance with this Act and the regulations.

9) The burden of establishing that the production of information should be refused is on the person who so alleges.

10) No information shall be denied after a period of 25 years has passed, or, in the case of personal information, 25 years after a person's death.

11) This Act comes into force on the day of assent.

Did You Know It's Against Government Policy to Let You Know How They Spend Your Money? by Kevin Avram

For the past several months, the Association has been seeking to compile data on how some of our provincial government departments work, and how they handle our money. We were interested in knowing how the Saskatchewan Economic Development Corporation (Sedco) was spending our tax dollars, who the corporation was giving grants to, who they were loaning money to, and what kind of projects were being funded. So, we approached Sedco and asked for documentation. On the same day we made application to Sedco, we also contacted the federal government's Western Diversification Office and requested a complete list of who the federal government had given grants and loans to in Saskatchewan.

Two days later, we received a complete list from the Western Diversification Office. Pages and pages of documents were provided. Who got the money, what it was for, and whether the money was a loan or a grant was carefully documented. Sedco's response was half a typewritten page (double spaced). We were informed that from 1978 to 1988, Sedco loaned out over a third of a billion dollars, and we were given the names of fourteen of the hundreds of loan recipients but not the amount of the loans. "What about all the other loans" we inquired of Sedco "how many of them have been written off, and who got the money that was written off?" "I'm sorry sir, but we're not required to make that information public" we were told. "What about the taxpayer's right to know how you guys are spending

hundreds of millions of their tax dollars" we asked "and how come the federal government can give us a complete breakdown in two days and you guys keep things in a vault." "Sorry" we were told, "our records are confidential."

As a result of our thwarted efforts in not only this area, but several others as well, we began to investigate Freedom of Information legislation. We found that six of the ten provinces have such legislation and that the federal government also has a very comprehensive Freedom of Information Act.

It seems that here in Saskatchewan both the NDP and the Tories have expressed favour for such legislation while in opposition, yet when in government, neither of them have done anything about it. How these men and women who inhabit our provincial legislature can claim to be representatives of the people, when they know full well that simple, basic information on how government works and spends our money is restricted from taxpayers, is an absolute mystery. Surely they understand that the very nature of democracy is openness and accountability, and that those elected are to be the representatives of the people who elected them.

I've lived in Saskatchewan all my life, and during that time, it never dawned on me that our

provincial government operated on a level above and beyond the citizens. Now, I know better.

I must admit that the one thing which really disturbs me about this whole affair, is when I ponder the attitude our politicians must have toward Saskatchewan's citizens. It's pretty clear they must hold every one of us in very low esteem, if they think they can do whatever they want with our money and not have to account for their actions.

In light of these things, we urge you to either phone or write both your MLA and the Justice Minister to express your support for Freedom of Information legislation. If your MLA is a member of the government, you can contact him/her by calling the Legislature at 787-5302. If your MLA is a member of the opposition, the number is 787-1894. Justice Minister Gary Lane can be reached at 787-5353. If you prefer to write, the address is simply: Justice Minister Gary Lane, Legislature of Saskatchewan, REGINA, Saskatchewan, S4S 0B3.

A phone call will take a few minutes of your time, and may cost you as much as three dollars if it's long distance. If you consider the principle of what we're dealing with though, and the amount of your tax dollars at stake, it may just be one of the smartest three dollar investments you'll ever make.

"What about the taxpayer's right to know how you guys are spending hundreds of millions of their tax dollars"

AUDITOR

GENERAL'S

CORNER

The following are excerpts from the 1989 Auditor General's Report to the Parliament of Canada. This issue, we will deal with comments taken from Chapter 6 of the report. The chapter is titled "Denial of Information Required To Audit Minister's Travel Expenses"

Section 6.5

In 1989-90 we had planned to conduct a government-wide audit of expenses claimed by ministers for travel on official government business, including expenses of accompanying staff and public servants...

Section 6.6

To verify that financial and reporting controls were working satisfactorily, in April 1989 we requested access to receipts and other documentation supporting minister's travel expense claims. We also requested copies of requests written by ministers to the Minister of National Defence (MND for use of the VIP fleet).

Section 6.7

On behalf of the government, the Privy Council Office (PCO) informed us on 13 June 1989 that the information we had requested would not be made available to the Auditor

General.

Section 6.11

Minister's travel expenses are reimbursed under an honor system; supporting receipts do not have to be submitted or retained. In response to our request for access to receipts and supporting documentation for minister's travel claims, the government wrote that minister's do not have to submit or retain such supporting information. It stated: As you are aware, ministers are required by a virtue of a 1963 Treasury Board decision only to provide a certificate stating their expenditures to secure reimbursement. Ministers are not required to submit, nor are they required to maintain any receipts with respect to such expenditures.

Section 6.15

We pointed out that in it's guidelines, Treasury Board had stated that: while, for reason of confidentiality, some payment requests by ministers do not have to be supported by receipts and other documents that provide evidence of goods and/or services received, these supporting documents should nevertheless be retained in minister's offices for possible verification by, for example, the Auditor General of Canada.

Section 6.16

We also pointed out that in it's guidelines, Treasury Board had advised that "even though ministers do not have to provide receipts and supporting documentation, it would be prudent to maintain such information in minister's offices for audit purposes."

Section 6.19

The government told us that even if receipts existed, it would not make them available to us. Only the previously mentioned certificates would be provided. "While such certificates would, of course, be available for the proposed audit, any other receipts that may exist in the minister's office records would not, in our view, be so available."

Section 6.20

...Without receipts we cannot determine whether claims for reimbursement are appropriate.

THE TAXPAYER

Volume 1, Issue 3

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Federal Grants for Official Languages (Bilingualism)

These grants all fall under Ottawa's Special Languages Program or the Official Languages Program and were made during the fiscal year 87-88. This is by no means a complete listing, but is rather a sampling, intended to acquaint taxpayers with how their dollars are being spent.

French Canadians of Prince George \$22,930
Francophone Society of Victoria \$42,500
Federation des Franco-Colombiens \$486,875
French Historical Society of B.C. \$31,050
Assoc. of French in the Yukon \$92,000
French Assoc. of Nanaimo \$27,800
French Assoc. of Campbell River \$18,700
French Assoc. of Kamloops \$18,800
Franco-Albertan Historical Society \$18,000
Francais Theatre of Edmonton \$56,000
Societe De Theatre De Calgary Inc. \$25,330
Federation of French Parents in Alberta \$35,000
Francophone Jeunesse De L'Alberta \$110,000
Committee for French Culture in Alta. \$35,000
French Association of Fort Smith \$2,000
French-Canadian Assoc. of Calgary \$57,500
French-Canadian Assoc. of Edmonton \$87,095
French-Canadian Assoc. of Lethbridge \$18,000
French-Can. Assoc. of Central Alta. \$315,000
French-Canadian Assoc. of Peace River \$72,020
French-Canadian Assoc. of St. Paul \$58,025
French-Can. Assoc. of Fort McMurray \$35,150
French-Canadian Assoc. of Bonnyville \$36,500
French-Can. Assoc. of Prince Albert \$21,043
French-Canadian Women of Sask. \$15,390
Comm. Culturelle Fransaskoise Inc. \$113,470
Saskatchewan Boy Scouts \$24,900
French Canadian Assoc. of Sask. \$461,533

Society Franco-Manitoba \$590,000
Cultural Centre Franco-Manitobans \$176,000
Theatre Francais De Toronto \$55,000
Conseil de Vie Francaise-Cornwall \$22,000
Conseil de Vie Francaise-Ottawa \$15,200
French Canadian Club of Thunderbay \$10,100
Franco-Ontariens in Sudbury \$114,000
Centre for French Activities \$77,000
French Centre of Cambridge \$38,000
French Assoc. of Pembroke \$6,000
Nipissing French Canadian Assoc. \$45,000
Francophone Assoc. of N.W. Ontario \$88,500
Timmins French Canadian Assoc. \$45,000
Temiskaming French Canadian Assoc. \$45,000
Sudbury French Canadian Assoc. \$45,000
French Canadian Assoc. of Ontario \$855,500
Alliance Quebec \$1,100,000
Francophones of New Brunswick \$199,500
French Federation of Newfoundland \$180,000
French Assoc. of Labrador \$100,000
Association of Pathologists in Quebec \$40,325
Banff Television Foundation \$13,905
Canadian Bar Assoc. \$9,329
Canadian Egg Marketing Agency \$10,599
Canadian Golf Superintendents \$3,666
Canadian Labour Congress \$10,000
Canadian Lung Assoc. \$19,511
Canadian Parents for French \$132,525

Where Your Tax Dollars Go

*Federal grants and non-repayable conditional loans in Saskatchewan
Through Western Diversification Programs*

Potash Institute of Canada \$5,028,000
Saskatchewan Wheat Pool \$46,500
Huff & Puff Stitchery - Moose Jaw \$10,622
Comco Manufacturing - Saskatoon \$14,875
E-Z Truss Systems - Prince Albert \$15,423
Heartwood Industries - Saskatoon \$10,007
Del-Air Systems - Humboldt \$34,562
Geco Steel Inc. - \$395,430
International Road Dynamics - \$102,141
Superior Millworks - Saskatoon \$25,375
Burton Doors & Custom Millwork \$45,150
Tarrill Envelopes - Regina \$36,925
Clorox Company - Moose Jaw \$25,025
Quill Natural Spring Resources Ltd.-
Wynyard \$18,390
Canadian Lightware Technologies \$37,795
Nu-Fab Building Products - Saskatoon \$35,917

Everest Technology Ltd. - Saskatoon \$652,347
Philom Bios. Inc. - Saskatoon \$640,998
Canmar Grain Inc. - Regina \$137,000
Degelman Industries - Regina \$22,644
Develcon Electronics - Saskatoon \$4,702,719
BP Kent Flour Ltd. - Yorkton \$52,500
Global Agricultural Technology Exploration -
Saskatoon \$170,000
Western Canadian Pulse Growers Association -
Elrose \$87,165
Northern Lights Big Game Corp. - Wolseley
\$465,718
Wanushewin Heritage Park - Saskatoon
\$1,000,000
Ag Tech Processors - Indian Head \$203,966
TS Metals - Swift Current \$18,375
Copeland Seeds - Rosetown \$62,506

Grants Made by the Government of Saskatchewan

Multicultural Grants (partial listing only)

Chile Committee
 Indo-Canada Cultural Association
 Afro-Caribbean Cultural Association
 Sask. Association of Teachers of German
 Regina Chilean Folk and Dance Group
 Association Culturelle & Bellevue Inc.
 Polonia Dance Ensemble
 Scandinavian Club
 Canadian Parents for French
 Islamic Association of Saskatchewan
 Doukhobor Society of Saskatchewan
 Melville Multicultural Council
 Turner Lake Cultural Gathering
 Prince Albert Multicultural Council
 Regina Ukrainian Canadian Committee Charitable Found.
 Escuela Hispanica
 The Circle Project Association
 Estevan Multicultural Group
 Saskatoon Multicultural Council
 Regina Multicultural Council
 Sask. Organization for Heritage Languages
 Regina Highland Dancing Association
 Swift Current Multicultural Council
 Centre Culturel Maillard

Total: \$31,253.00

The following grants were awarded by the Saskatchewan Arts Board during the fiscal year 1987-88. The Arts Board received almost \$3.5 million in monies last year, of which almost \$2 million came directly from the taxpayers of Saskatchewan.

Literary Arts Program Grants 1987-88

Sask. Writers Guild	\$73,500.00
Coteau Books	\$72,000.00
Fifth House	\$57,000.00
Thistledown Press	\$82,000.00
NeWest Review	\$11,000.00
League of Canadian Poets	660.00
Prairie Theatre Exchange	\$1,500.00
Toronto Workshop Productions	\$1,500.00
Weyburn Public Library	\$1,350.00
Writer's Union of Canada	\$500.00
Cormorant Books	\$7,000.00
Gynergy Books	\$3,500.00
Les Editions Louis Riel	\$4,500.00
Sask. Publishers Group	\$16,987.00
Turnstone Press	\$700.00
Blackflash Periodical	\$1,500.00
Vanguard Periodical	\$2,000.00

Literary Grants to Individuals

Stewart Boston, Saskatoon	\$3,200.00
Bonnie Burnard, Regina	\$7,500.00
Mick Burrs, Yorkton	\$3,900.00
Connie Gault, Regina	\$7,500.00
Martha Gould, Saskatoon	\$5,000.00
Craig Grant, Regina	\$4,800.00
Archibald Jephthas-Crail, Regina	\$2,711.00
Terry Jordan, Saskatoon	\$7,500.00
Robert King, Regina	\$1,500.00
Mark Melymick, Saskatoon	\$7,500.00
Brenda Niskala, Saskatoon	\$4,000.00
Chester Pelkey, Saskatoon	\$6,000.00
Bruce Rice, Regina	\$7,000.00
Gail Robinson, Saskatoon	\$7,500.00
Bryan Sentes, Regina	\$5,300.00
Glen Sorestad, Saskatoon	\$7,500.00
Marlis Wesseler, Regina	\$3,000.00

Performing Arts Program Grants

Globe Theatre	\$215,000.00
Nightcap Productions	\$15,000.00
Persephone Theatre	\$127,225.00
Regina Symphony	\$135,000.00
Saskatoon Symphony	\$130,000.00
25th Street Theatre	\$90,000.00
Saskatchewan Theatre Ballet	\$17,000.00
Wheatland Theatre	\$9,000.00

Other Groups who received grants in 1988-89 from the Arts and Multicultural Branch of the Provincial Government.

Rosetown Photography Club
 R.M. of Willow Creek Recreation Board
 Saskatchewan Recording Industry Association
 Regina Chinese Singers Inc.
 Yorkton Short Film and Video Festival
 Saskatchewan Writers Guild
 Regina Chapter of Sweet Adelines
 Royal Scottish Country Dance Society
 Regina Lyric Light Opera Society
 Saskatoon Boys Choir
 Regina Guild of Folk Arts
 Yorkton Dance Association
 Deep Lake Stompers Society
 New Dance Horizons Inc.
 Saskatchewan Filmpool Cooperative Inc.

The Single Tax; Real Tax Reform

by Dennis Mills M.P.
Part One

The following, reprinted from the Fraser Forum, is the text of a speech, given by Liberal M.P. Dennis Mills on January 19, 1990 in Vancouver. Our purpose in printing the speech, is not to endorse Mr. Mills, his party, nor his proposal. Rather, our desire is to provoke discussion about real tax reform. There's no question that Canada's tax system is overly complex and desperately in need of simplification. In that sense, Mr. Mills has some very interesting observations.

First, let me tell you that this is not Liberal Party policy. It is simply an open, honest attempt to advance the debate on tax reform.

I have been listening for some time to the very real concerns and frustrations of people all over Canada about the present tax system. We know about the huge sea of bureaucratic paperwork that threatens to engulf the small businesses of our communities. We know about the anxiety attacks that face low income earners every April as they struggle to complete their tax returns. Now that I am an M.P., every April senior citizens in my riding come in and ask,

I took all these worries and frustrations to a team of experts to see if we could devise a tax system that would address the concerns of all Canadians. What you are about to hear is the result of five months of effort on the part of a dedicated group of Canadians.

I believe passionately that our tax reform proposal could revitalize Canada, and we are in great need of that revitalization. The challenge of governing Canada seems to grow greater every day. We face a crisis of national unity and a crisis in our global environment. Our economy must become more competitive if we are to preserve our position in a tougher global trading environment. All these areas are crying out for strong leadership from the federal government.

Any governments ability to lead depends on the trust and confidence of it's citizens. Increasingly, the words and actions of politicians are met with cynicism and suspicion, or simply indifference. Nowhere is this

anger into an open tax revolt. A nation's strength depends on how it's people behave by choice. Our income tax system is a voluntary, self-reporting, self-policing system. If government does not have the trust of the public, if people do not comply, then our voluntary system cannot work.

The OECD notes that public support for tax systems is waning in all member countries because of high rates and growing complexity. Most OECD countries have broadened their tax bases and lowered their tax rates. These tax reforms, like Canada's, are merely patch jobs.

Between 1984 and 1988, personal income taxes alone rose from \$27 billion to \$45 billion, a jump of almost 66%. Michael Wilson himself has said that the new consumption tax will cause inflation to rise further. We appear to have reached the point where raising tax rates is counterproductive. Higher rates hurt average taxpayers but do not seem to affect the deficit. This makes taxes an issue of paramount importance--an urgent issue affecting our savings, investments, entrepreneurship, exports, standard of living, and our quality of life.

We must judge the income tax system by three criteria: simplicity, fairness, and efficiency.

Simplicity

If you are the average person, you currently need a four page form with eight separate schedules, and you will probably have to plow through most of the 45 pages of instructions to file your income tax return.

Between 1984 and 1988, personal income taxes alone rose from \$27 billion to \$45 billion, a jump of almost 66%

"can you help me fill out my tax form?" The first time this happened to me, I actually tried to help fill out the tax form, and I am embarrassed to say that I couldn't do it. And this doesn't just happen to senior citizens, this also happens to entrepreneurs and others. In fact, a lot of tax experts will admit today that they have difficulty with the current tax forms.

lack of trust more evident than in the field of taxation. Every April one can feel the anger at the increasingly complex, arbitrary, and burdening nature of our tax system.

Michael Wilson promised tax reform but little has been done to simplify the system. Meanwhile, the recently announced goods and services tax threatens to turn Canadian's

The Single Tax; Real Tax Reform cont'd by Dennis Mills M.P.

While you try to figure out what and how you must exempt, credit, and deduct, multiply, add, and subtract, you are likely to become more and more confused.

Not long ago, only the wealthy hired tax experts. Today, some 40 percent of all tax filers are forced to seek help with their returns, some from friends and relatives, but most from professionals, and this figure rises with every change in the law. Last year's tax reform was a bonanza for tax preparers, and with this new goods and service tax, the person who must get help in preparing his tax return will now have to pay a 7% tax on paying his tax. What a ludicrous system!

Since our tax system is voluntary and we ask people to assess themselves, the rules must be simple enough for everyone to understand. Over the years, however, the rules have become incredibly complex. The Act itself fills 1,666 pages; applications and rules 102 pages; and regulations, 637 pages. This, coupled with the court interpretations and opinions, adds up to what one tax advisor calls "an unmitigated mess". Dunwoody and Company (chartered accountants) told the parliamentary Finance Committee that "there are general rules, exceptions, and exceptions to exceptions. Some sections are almost totally unintelligible". Even trained professionals get lost in these verbal thickets. With this the case, how is the average person expected to work through these forms?

Fairness

One measure of fairness is whether persons in similar circumstances are treated equally. In the last year for which we

have data, 1986, there were 6,250 people earning more than \$50,000 per year who paid no tax whatsoever, and 100 people earning over \$250,000 who paid nothing. This is blatantly unfair. An individual earning a salary of \$40,000 may pay twice the tax of somebody earning the same amount from self-employment. That too is unfair.

I've talked about income taxes with hundreds of Canadians, and I find a widespread belief that the current tax system is unfair. This is sometimes dismissed as only popular perception, but the truth is that this perception is based in fact.

People can and do evade taxes. They under-report income and over-report expenses. Statistics Canada estimates that families on average under-report income by 4 to 12 percent. The more that Canadians feel the tax system is cheating them, the more they will consider trying to cheat the system. As Will Rogers said "the income tax has made more liars of people than golf has".

What results is a growth of the underground economy. I'm not talking here of criminals. I'm talking about housewives working in childcare, plumbers, mechanics, lawyers--anyone who can sell their skills for cash without a receipt or who can barter, swapping one service for another. No one really knows the extent of the underground market in work, but four years ago Michael Walker of the Fraser Institute estimated the invisible economy at \$40 billion. United States and British studies make it 20% of gross national product. Income taxes are higher in Canada than in the U.S., therefore, by that measure, our invisible economy could

well be in the region of \$100 billion.

These are geusstimates, of course, but what we don't have to guess at is the effect of increasing tax rates on the underground economy. A survey in Sweden has shown that as tax rates rose in the 1970s, the amount of untaxed labour in the building industry grew fivefold in five years, and more than one in every eight Swedes were tax evaders, buying and selling un-receipted services. Do we want this in Canada?

Efficiency

We must consider actual costs here. To begin with, there is the ever increasing cost of enforcement. Revenue Canada has more than 20,060 people handling it's collecting operation in centres all over the country. The tab to the taxpayers for that collection service is close to a billion dollars. There is a vast bureaucracy of accountants, lawyers, investment advisors, and brokers channelling all their creative energies into tax avoidance schemes. A senior banker estimates that including tax preparers like H&R Block, nearly 300,000 bright, well trained people spend all their time working on the complexities of the tax law. Imagine that talent going into developing technology or opening markets in the Pacific Rim or the European Community.

Another cost is the brain drain from Canada. Many high income earners are mobile--architects, scientists, engineers, people in sports, film, radio, and television. When top marginal tax rates across the border are significantly lower, they can vote with their feet. *Maclean's* magazine reports that Los

The Single Tax; Real Tax Reform cont'd by Dennis Mills M.P.

Angeles is now the fourth largest Canadian city, with one million Canadians.

There is also the cost to business of all that data collecting, record keeping, and for filing. It imposes a paper burden that hinders our small companies, not to mention endangering our forests. A Canadian computer disk manufacturer has said that rising taxes, new regulations, and the cost of dealing with the government could add \$1 million in extra costs for his company this year, and he warned that this could drive manufacturers out of Canada permanently.

There is also the cost to the economy of what is called the tax disincentive effect. At a time when Canadian business is falling behind in productivity, income tax is eroding our work ethic. Marginal rates may decide if employees work overtime, if they work for a promotion, or if they conclude it is just not worth the effort. The current system allows the tax tail to wag the business dog. Instead of people channelling their efforts towards new and innovative ideas which could stimulate our economy, business people often end up spending more time trying to beat the tax collector than trying to beat the competition. Tax law, not the marketplace, is driving business activity.

Tax Reform is Needed

There is general agreement that we need tax reform. However, we don't have it yet. Michael Wilson tried to move in the right direction by cutting ten brackets to three, but he went only part of the way, and now he is nullifying this with his new goods and service tax. As the Dunwoody brief

told the House Finance Committee, "virtually nothing was done to simplify the Act", and the tax breaks that warp our economy, Dunwoody notes, "are not so much eliminated as altered". One businessman has summed it up as "all pain and no gain".

Our system must be made simpler, fairer, and more efficient. Mr. Wilson's efforts have

take that as a challenge. That is why I am proposing a restructuring of personal and business taxation that will be simpler, fairer, and more efficient than the status quo. I call it the single tax system.

The Single Tax

The single tax system would broaden the tax base by eliminating the loopholes and

The ideal tax system would meet the tests of efficiency by closing all loopholes and opportunities for leakage; it would ensure fairness by preserving progressivity while reducing marginal rates for most taxpayers; and it would be simplified by reducing complicated personal and corporate income tax forms to the size of a postcard.

not worked. A new approach is needed now.

An Ideal Tax System

The ideal tax system would meet the tests of efficiency by closing all loopholes and opportunities for leakage; it would ensure fairness by preserving progressivity while reducing marginal rates for most taxpayers; and it would be simplified by reducing complicated personal and corporate income tax forms to the size of a postcard.

I am told that the idea of a single tax for a complex society is naive. I don't accept that. Some of the brightest economists and tax experts in Canada and around the world have studied this problem extensively. They believe that tax simplification can be done, indeed must be done. All that is lacking is the political will. Lyman MacInnis of Touche Ross supports such a reform but said "there are no politicians with the guts to introduce a flat rate of income tax". I

special treatment some receive. It would integrate the personal and business tax systems to ensure that all income is taxed once only and as close to the source as possible. Because of its broad base, every individual and business would pay the same low rate---25%.

The mechanics of such a system were designed by Stanford University economists Robert Hall and Alvin Rabushka, founders of the American flat tax movement. I have had their personal assistance, as well as advice from the government of Canada, and from private Canadian economists in designing the single tax formula. Let me explain how it works.

Current personal and corporate income taxes would be replaced by a single tax system with two tax forms: the personal compensation tax and the business income tax. These two taxes would be fully integrated.

Part 2 next issue

LOWER TAXES AND GREATER EFFICIENCY THROUGH DOWNSIZING THE PUBLIC SECTOR

Part 2 of a speech given by Dr. Madsen Pirie, advisor to Margaret Thatcher, and President of the Adam Smith Institute.

You see, in the absence of the consumers being able to turn elsewhere, the whole system is run in the interests of the producers. So, these are my first four. The public sector is over-priced, inefficient, under capitalized and unresponsive.

Now, this puts up costs, as I said, it results in poorer services, it consumes taxes, the public debt rises, and government has to raise taxation. The public sector is like a small creature in the basement which you start feeding, and it gets bigger and bigger and eventually starts devouring the whole house. This is the situation Britain was in in 1979.

We tried to make the public sector more efficient, but of course you can't because it has no reason to be so, there are no pressures on it. You bring in the whizkid from the private sector and he does his report and says this is what they should be doing; bulk buying, amalgamation etc., when he's gone the bureaucrats close the file cabinets for another two years, heave a sigh of relief, use the paper clips twice, just to show they're willing, and that's the end of the efficiency drive. You try to cut wastage, but there isn't any wastage to be identified because every single thing the public sector does is absolutely vital to someone. There is always someone there who values it, and kicks up a real big stink if it's threatened.

So, there's no wastage to be identified, you try to hold down costs, but it takes usually about three months for the public sector to break out of the cost limits you put upon it. You'd think if you regulate the budget of the public sector that the administrative fat would be cut, and that they'd adopt more efficient methods. You'd think you'd get the same output and somehow cut costs on the input so it would be more efficient. Of course, it's the opposite.

The next method of controlling the public sector is eliminating unnecessary government services...there aren't any. In the whole of

British history, we found one. That was the man paid by the government in 1812 to sit on the cliffs, watch for Napoleon's fleet, and light a bonfire when he saw it to alert the admiralty. We abolished that post in 1948.

Thus, failing to control it by any of the traditional methods, we stumbled across the conclusion that the only sure thing you can do with the public sector is get rid of it! And that's what we've been doing hand over fist since 1978.

We've discovered some ground rules in Britain which we learned the hard way and there's no reason why other countries should start from zero, because we've got years of experience. We've made one or two mistakes, yet despite that

we've evolved some elemental rules. More than 100 countries around the world are now privatizing, and we tell them, as far as possible to follow these rules.

The first is, make friends out of potential enemies. When you are privatizing, calculate in advance all of those who benefit from the public sector and make sure they benefit even more from privatization. Let me take you through a couple of cases. When we privatized the

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National Freight Corporation, the work force, who might have felt threatened, actually bought it. We sold it to the management and work force. The ordinary truck drivers and loaders

mortgaged their houses, pooled their savings to buy shares in the company, and of course, it became more profitable than it had been before. It started making money from day one, and for every dollar they invested it is worth forty one dollars today! That's how much more profitable and efficient they've made it, 41 times! So, those who could have been enemies, became very good friends indeed.

The next example I would give of that is the state houses. We had 35% of our population living in houses owned by the state, living at subsidized rents and they quite liked those subsidized rents.

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"LETTERS"

I wish to commend your organization on the message you send to the public.

Having reviewed information from you for some time, I find it alarming as to where our tax money is spent. Thank you, it is an eye opener.

- Kemis Belsher, Edmonton

I believe your battle for "Freedom of Information" is a very worthwhile project. I also compliment you for exposing all government waste the way you do. I think you have an excellent organization.

- Don Noble, Abernethy

Our M.P. Mr. Schneider in his first year in office obtained nearly 3.5 million for job creation in his riding from federal funds. If only 150 ridings obtained a similar amount this would add over 500 million to our annual deficit.

Since all Canadian Governments seem to be unable or unwilling to stop this practice, a national as well as a provincial organization would have a unique opportunity to combat this trend effectively and inexpensively by:

1) Gleaning Hansard and provincial equivalent publications for names of politicians who vote solely for their re-election instead of for the good of all Canadians.

2) Sending this information to each riding upon request and conceivably for a fee and/or membership. At constituency meetings politicians could then be held accountable for their actions. (My M.P. upon written request was not prepared to provide me with a condensed voting record nor a list of his travel expenses).

3) Establishing a rating system of politicians to be used during election campaigns.

- Ed Spanghel, Regina

Not long ago, the media carried an important news item about our prime minister. According to the news, our prime minister took two cars to a foreign country so that he could drive around in comfort, showing off.

It turned out that this particular country did not have unleaded gas and so the cars were useless. Such incompetence! How embarrassing!

In future, I think our prime minister and his bureaucrats should give serious consideration to taking at least one Petro Canada station with them, along with a bilingual pump attendant.

Our prime minister should not have to endure the embarrassment again of being in a foreign country without a car or two to travel around in and

somewhere to entertain guests.

As well, in order to show his guests the "Canadian way", perhaps a strip joint ought to be taken along on his next foreign trip, so that he has somewhere to entertain. The strip joint should have its name spelled out in both languages - I would suggest the name "Referendum Not The Canadian Way", thus reflecting his ideas on our democratic system. After all, it's the taxpayer's job to pay for his foreign trips. He must look good in foreign countries, regardless of the cost to us.

After all, he's not that popular in Canada where his extravagant spending habits are well-known. So he must go outside the country to find people who like him.

Just imagine how many extravagant trips he can make after he brings in the GST (Government Squandering Tax)!

- D.D. Cranfield, Saskatoon

EDITORS NOTE:

If you have any comments you would like to have published or would simply like to drop us a line, please do. We look forward to hearing your comments and concerns.

The British Experience cont'd

When previous governments had tried to abolish those subsidies, the renters didn't like that at all. Mrs. Thatcher's answer was to offer them the chance to own their own houses at discounted prices. If you'd lived in the government house for two years, you got

20% off its market value rising up to 50% if you buy your own house.

Last September, Mrs. Thatcher handed over the one millionth key. One million people in Britain have bought their own houses, and we're well on our way to the second million now. Mrs. Thatcher's target is another million within

two years, and let anyone try to take those houses back. We discovered that when people own their own houses, they change their attitudes, they change the way they look after their houses, and they even change the way they think about property taxes.

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Wild Hogs in Horseshoe Bend

Recently one of the board members of our Association gave me a copy of a little story he said he had around for years. It's called Whose Bread I Eat, His Song I Sing, and was printed in the November, 1961 bulletin of the Fulton County Medical Society. It's a true story told by Dr. J. McDaniel, who apparently was the president of the society that year. Here's what Dr. McDaniel wrote:

"I remember as a small boy in knee britches going with my father to hear an address given by the Honorable Stephen Pace, then a member of the government. It took place down by the banks of the river. There was a barbecue and citizens, especially farmers, from all over the area gathered. This was before the first World War.

It seemed that someone in the government had introduced a bill that would give the farmers some

money, provided they did something, and the Honorable Mr. Pace

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vigorously opposed it. I have no idea what it was because I was busy watching a ground squirrel play with a pine cone. Mr. Pace snapped me back to attention however when he said, "I'm going to tell you a true story about the wild hogs that once lived about forty miles down the river'."

"Years ago" he said, "in a great horseshoe bend down the river there lived a drove of wild hogs. Where they came from no one knew but they survived floods, fires, freezes, droughts, and hunters, and the greatest compliment a man could pay his dog was to say that he had fought the hogs in Horse-

shoe Bend and returned alive. Occasionally, one of those pigs was killed either

by dogs or a gun, and whenever that happened the event would become a topic of conversation for years.

Finally a one-gallused man came by the old store on the river road and asked the whereabouts of these wild hogs. He drove a one-horse wagon, had an axe, some quilts, a lantern, some corn, and a single barrel shotgun. He was a slender, slow moving, patient man. He chewed tobacco deliberately and spat very seldom.

Several months later he came back to the same store and asked for help to bring out the wild hogs as

he claimed he had them all in a pen over at the swamp. Bewildered farmers, dubious hunters and store-keepers all gathered in the heart of the Horseshoe Bend to view the captive hogs. "It was all very simple" said the one-gallused man. "First I put out some corn. For three weeks they wouldn't eat it, then some of the young ones grabbed an ear and ran off into the thicket and pretty soon they were all

seen they was trapped, but I can pen any animal on the face of the earth if I can jist get him to depend on me for a free handout."

"We've had patient men in our central government for years" Dr. McDaniel wrote, "but they use our own dollars instead of corn. You know" McDaniel concluded "I still think about that trap door, and the slender stooped man who chewed his tobacco deliberately when

"I can pen any animal on the face of the earth, if I can jist get him to depend on me for a free handout."

eating. Then I simply commenced building a pen around the corn, a little higher each day. When I noticed that they were all waiting for me to bring the corn and had stopped grubbing for acorns and roots, I built a trap door. "Naturally" said the patient man, "they raised quite a ruckus when they

he spat and turned to the gathered citizens many years ago and said, "I can pen any animal on the face of the earth if I can jist get him to depend on me for a free handout."